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DOE AWARDS FERNALD CLOSURE CONTRACT

The Department of Energy (DOE) has announced that Fluor Fernald, Inc. has been awarded the contract for final cleanup of the Fernald Environmental Management Project. This new closure contract is a cost-plus-incentive-fee (CPIF) arrangement which provides significant financial incentives to Fluor Fernald to complete work at the site ahead of schedule and below the baseline cost. The contractor assumes responsibility for performance under the new contract on December 1, 2000, and the contract is effective through completion of the site cleanup. In addition to Fluor, the Fernald team will consist of: Jacobs Engineering, Waste Management Federal Services, Nuclear Fuel Services, and TRS Staffing Solutions.

Fernald is a DOE-owned former uranium production facility located approximately 18 miles northwest of Cincinnati. This closure contract is being awarded following the receipt and evaluation of Fluor Fernald's proposal in response to the competitive Request for Proposals which the Department of Energy issued to industry on May 19, 2000.

The Department of Energy is committed to completing closure of the site by 2006, and believes this contract will provide incentives for Fluor Fernald to achieve this goal. Although the contract target date for site completion is December 31, 2010, Fluor Fernald will earn maximum incentive fee if it completes the site by December 31, 2006.

The contract target cost is \$2.4 billion with a target fee of \$120 million. The contract provides for greater accountability by Fluor Fernald than in the current contract, so that cost increases and schedule delays reduce the amount of fee earned. The Department has agreed with exceptions for occurrences beyond the contractor's control, and Fluor Fernald has accepted the risk of any increases in cost based on an 80/20 share arrangement.

Major provisions of the contract include:

- A specific and well-defined scope of work which includes completion, restoration and closure of the site in accordance with existing agreements and schedules.
- A fee structure that provides strong incentives for completing the job ahead of schedule and at or below target cost. The contract continues until the scope of work is complete, with the fee, reward and risk structure all heavily weighted toward a safe closure.
- Significant penalties for failure to achieve environmental, safety and health requirements.
- Contractor responsibility for 20 percent of cost overruns, and contractor sharing in 20 percent of cost savings, providing a significant incentive to complete projects on schedule and within budget.
- A project management system that tracks contractor performance based on tangible, quantifiable progress toward closure, and ensures clarity and objectivity in DOE assessments of contractor performance.
- Fluor Fernald, Inc. will be the single contractor responsible for management and integration of site work, with specific cleanup activities conducted by teaming partners and subcontractors.
- The new contract replaces the annual performance measure structure of the existing contract with an emphasis on completion of the total project. Under the new contract, fee is paid provisionally on a quarterly basis until total project completion is achieved. DOE retains the right to withhold or recover fee based on overall project completion.

In awarding the contract, DOE Assistant Secretary Carolyn Huntoon said, "We are pleased to award the contract to Fluor Fernald. Fluor Fernald has an excellent track record at the site, with visible progress being made in every major project. This innovative closure contract provides the Department with its best opportunity to achieve the 2006 closure date."

Fluor Fernald has managed the cleanup of Fernald since November, 1992. Since that time all Records of Decision (RODs) characterizing the type and extent of contamination and outlining the cleanup remedies have been executed. Also, extensive environmental remediation activities have been undertaken for all of Fernald's major cleanup projects.

Since 1992, this major Department of Energy project has:

- Begun excavation of the waste pits and shipped nearly 175,000 tons of Waste Pits material to the Envirocare facility in Utah.

- Completed all Safe Shutdown activities and demolished 90 of 200 former production facilities.
- Removed more than half of Fernald's total of 32 million pounds of uranium metal inventory.
- Placed nearly 600,000 cubic yards of material into the On-Site Disposal Facility.
- Treated over 6.5 billion gallons of contaminated ground and surface water.
- Excavated 750,000 cubic yards out of 1.8 million cubic yards of contaminated soil.

Steve McCracken, the newly appointed DOE-Fernald Site Director said, "This contract will allow Fernald to continue an accelerated pace of remediation, and provide our neighboring communities with a safe, efficient and thorough cleanup.@"

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